

Make Sure You're Aware of Retirement Plan Fraud

ADMINISTRATOR SENTENCED FOR FALSE STATEMENTS ON FORM 5500

Starting in 2011, companies will be motivated to make 5500 compliance a priority. The last quarter of 2010 witnessed likely the first ever significant jail sentence related to a false statement on a Form 5500.

The owner of Philadelphia Pension Planning Corporation (PPPC), which managed the profit sharing plan for Bustleton Landscaping Co. Inc., pleaded guilty to significantly overstating the assets of the plan to hide major losses. She was sentenced to 15 months in prison, three years of supervised release and ordered to pay more than \$715,000, as announced by the U.S. Department of Labor's (DOL) Employee Benefits Security Administration in late November of last year.

WHAT THIS MEANS FOR YOUR COMPANY

In the past, the DOL has not been known to strongly enforce 5500 compliance and frankly, it has often been a lower priority for many financial executives as a result. This recent case involving PPPC indicates that the DOL is paying more attention to Form 5500, subsequently, financial executives will need to as well. In addition, it highlights the vulnerability of a company that does not have proper vendor management procedures in place.

NEXT STEPS

We recommend that companies create and enforce a process for ensuring the accuracy of the Form 5500. This is particularly important for companies involved in mergers and acquisition activities as we have found those situations are ripe for details of the 5500 to be overlooked.

Options for this process include launching an internal initiative for establishing protocols to effectively manage the vendors of their benefit plans and accuracy of the 5500, or engaging with an outside, independent expert to verify the validity of the plan information and/or audit and manage the vendor relationship process

ABOUT OPTIMATUM

Optimatum is a vendor management firm that focuses exclusively on the HR supply chain with turnkey solutions that improve the financial, operating performance, transparency and accountability of HR Benefit programs while still maintaining existing vendor relationships.

Our support of the HR workstream during the M&A lifecycle encompasses operational due diligence, day-one readiness and post day-one synergies. We assist sponsors in leveraging the aggregate purchasing power of their portfolio to capture value and drive margin expansion.